

# UAC INSURANCE MUTUAL

## *Board of Trustees Meeting*

Thursday, June 24, 1999, 9:30 a.m.

Utah Association of Counties Offices

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9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of May 27, 1999 Minutes	Gary Herbert
	Loss Control Managers Report	Shawn Guzman
	Broker Report	Rich Stokluska
	Policy Endorsements	Brett Rich
	Director's Report	Brett Rich
	Year 2000 Contingency Plan	Brett Rich
	Summary of Financial Statements	Brett Rich
11:30	Lunch	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Other Business	Gary Herbert
1:30	Adjourn	



## UACIM BOARD OF TRUSTEES MEETING MINUTES

June 24, 1999, 9:30 a.m.  
Utah Association of Counties Offices

### BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner  
Jerry Hess, *Vice President*, Davis County Deputy Attorney  
Dannie McConkie, *Secretary-Treasurer*, Davis County Commissioner  
Tony Dearden, Millard County Commissioner  
Royal Norman, Box Elder County Commissioner  
Tex Olsen, Sevier County Commissioner  
Kent Petersen, Emery County Commissioner  
Ed Phillips, Millard County Sheriff  
Sarah Ann Skanchy, Cache County Council Member  
Kent Sundberg, Utah County Deputy Attorney

### BOARD MEMBERS ABSENT

Chad Johnson, Beaver County Commissioner

### OTHERS PRESENT

Brett Rich, Director, UACIM  
Shawn Guzman, UACIM Loss Control Manager  
Sonya White, UACIM Administrative Assistant  
Rich Stokluska, GRMS Account Executive  
Doug Alexander, McLarens Toplis Claims Manager

### CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

### REVIEW of BOARD MEMBERS ABSENT

Chad Johnson had not contacted UACIM staff as to why he was unable to attend this meeting. Therefore, no motion was made to excuse him.

### APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held May 27, 1999 were previously sent to the Board Members for review. Ed Phillips made a motion to approve the minutes as written. Tex Olsen seconded the motion, which passed unanimously.

### LOSS CONTROL MANAGER'S REPORT

Shawn Guzman reported that he conducted nine sexual harassment workshops in Cache and Rich Counties. Attendance lists are kept from all training sessions. Shawn recommends to the counties that they should have at least one sexual harassment workshop every-other year and that they are welcome to video his sessions so that newly hired employees can watch.

Shawn met with Piute, Sevier and Grand Counties to review their personnel policies. Changes were recommended and are in the process of being made prior to formal adoption by the Commissions/Council.

Coaching the Maintenance Vehicle Operator (CMVO) courses have been held in Grand, Duchesne, Uintah, Davis, Box Elder, Cache, Weber, Carbon, Utah, Wasatch and Rich Counties. These courses were presented by Utah T<sup>2</sup> Center at \$10.00 per person—\$5.00 paid by county and \$5.00 paid by UACIM.

Shawn is working to develop a presentation in the area of supervisor training. Several requests for this type of training came out of the personnel workshop held last month. His goal is to make a presentation in each county.



### BROKER REPORT

Rich Stokluska reported that he submitted the Y2K questionnaires, which each member county completed, to Signet Star. As of July 1, 1999 the Y2K liability exclusion will be removed from the policy and a \$1,000,000 sublimit of coverage will be added. Rich informed the Board that not all the members are Y2K compliant and the Board's assistance in ensuring compliance will be needed.

Rich explained that they are seeing a hard shift in the insurance industry. In his initial conversations with Signet Star, they indicate that this shift should not affect the UACIM premium at renewal. Carriers are engaging in more selective underwriting (long-term business) and with UACIM's coverage agreement the carrier is even further removed.

### POLICY ENDORSEMENTS

Brett Rich reviewed two endorsements to be added to the UACIM Coverage Agreement.

Endorsement No. 7 Limited Coverage for Year 2000 Computer-Related Problems. This endorsement attaches to and forms part of Section II – General Liability, and Section III – Auto Liability, Policy No. UACIM-99.100. The effective date of this endorsement is July 1, 1999. Notwithstanding the provisions of Exclusion Number 6 of this coverage agreement, coverage is extended up to a limit of \$1 million per occurrence, for claims that would be covered under the coverage agreement, but for exclusion Number 6.

Endorsement No. 8 Public Officials Errors and Omissions Liability Amendments. This endorsement amends and forms part of Section II, Part B - PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY. The first paragraph of Section II, Part B.1. is amended to read as follows: The Mutual agrees, subject to the limitations, terms and conditions of this Agreement, to defend any Suit and pay on behalf of the Insured all Money Damages incurred by the Insured by reason of any Wrongful Act arising out of the Claim first made during the period of this Coverage Agreement or any applicable extended reporting period. All other terms and conditions remain unchanged.

Royal Norman made a motion approving Endorsement No. 7 as written. Tex Olsen seconded the motion, which passed unanimously. Tex Olsen made a motion approving Endorsement No. 8 as written. Kent Petersen seconded the motion, which passed unanimously.

### DIRECTOR'S REPORT

Brett Rich reported that he filed the 1998 Audit, which was approved by the Board at the last meeting, with the Insurance Department prior to the June 30, 1999 deadline. The audit was also filed with the State Auditor as required by code as well as a copy of the UACIM budget. Brett met with MacRay Curtis, Director State Auditor's Office, to review these documents. MacRay accepted the documents for this year but had informed Brett of the format these items need to be reported in the future.

Information for the 2000 renewal was due on June 18. It will take approximately five weeks for the brokers to negotiate the reinsurance numbers. As of today, there are still six members that have not responded to the renewal: Beaver, Garfield, Piute, Rich, Wayne and Weber Counties. Brett will make personal visits if necessary to get this information. The August meeting will be primarily devoted to the preparation of the 2000 renewal.

In adding to Rich Stokluska's report on the hard market, Brett reviewed the national trends in the insurance industry and referred to a source that analyzed the total average catastrophic losses at \$10 billion in 1980. The average is up to \$90 billion in 1990. In the event that a hard insurance market returns in the next few years, UACIM should provide even more substantial advantages over traditional insurers.

### YEAR 2000 CONTINGENCY PLAN

Brett Rich explained that the Insurance Department is requiring that a Y2K survey be completed by UACIM each quarter. As part of that survey, they are asking the Board to adopt a Year 2000 Contingency Plan to identify those functions that are critical to the operation, the resources that are used by those functions and the state of readiness of those resources. Brett drafted a Plan and reviewed it with the Board (see attachment #1). Royal Norman made a motion to approve the Year 2000 Compliance and Contingency Plan presented by Brett Rich. Jerry Hess seconded the motion, which passed unanimously.



#### SUMMARY of FINANCIAL STATEMENTS

Brett Rich reviewed the May 1999 financial statements with the Board. Page four lists the net income, which is down due to the partial repayment of the debentures. The interest portion of the payments was taken out of net income while the principal portion of the payments was only taken out of surplus. The second payment for the reinsurance premium was paid in May, which has skewed the numbers on the financial statements as shown on page five. Most of the non-admitted assets are pre-paid. Brett has informed the accountants that the second and final payment of the reinsurance premium should be adjusted on the May statements and not allocated over the remaining seven months.

#### SET DATE and TIME for CLOSED MEETING

Sarah Ann Skanchy made a motion to set the date and time for a closed meeting to begin at 11:40 a.m. on June 24, 1999, to discuss pending or reasonably imminent litigation. Dan McConkie seconded the motion, which passed unanimously.

Kent Petersen made a motion to conclude the closed meeting at 11:55 a.m. on June 24, 1999. Royal Norman seconded the motion, which passed unanimously.

#### OTHER BUSINESS

As directed by Brent Gardner in his absence, Brett Rich explained that the vehicle used by Shawn Guzman (a 1997 Ford Taurus with 83,000) is getting to the point of needing to be replaced. As much as Shawn travels, he needs to have a reliable vehicle. The Board agreed and approved the process of replacing the 1997 Ford Taurus.

The next meeting of the Board of Trustees will be held on Thursday, July 29, 1999 at 9:30 a.m. at the UAC offices. Because of a conflict, Sarah Ann Skanchy and Tex Olsen asked to be excused from the July 29 meeting. Due to the UAC Legislative Golf Tournament, the scheduled August 26 meeting will be held on August 27, 1999.

  
Approved on July 29, 1999  
Dan R. McConkie, *UACIM Secretary-Treasurer*  
Davis County Commissioner







UTAH ASSOCIATION  
OF COUNTIES  
INSURANCE MUTUAL

5397 South Vine Street  
Salt Lake City, UT 84107  
(801)265-1331 Fax (801)265-9485

**Loss Control Report**

June 19, 1999

Sexual Harassment Training:

Conducted 9 sexual harassment training workshops in Rich County and Cache County.

Recent U. S. Supreme Court decisions have emphasized the need for ongoing sexual harassment training. Merely having a policy in place is no longer enough to protect counties from claims. We continue to have sparse attendance from elected officials in the counties even though they are department heads and can incur liability on the part of the county by not acting to prevent or stop harassment.

Personnel Policies:

Piute County's policies have been reviewed with the county commission and the final changes are being made. I will meet with Valeen Brown and the other elected officials once again for input before formal adoption by the County Commission.

I met with Steve Wall, Clerk Auditor for Sevier County to review Sevier County's policies. Steve is also a member of the UACIM Personnel Committee.

I met with David Hutchinson, Grand County Administrator, to review Grand County's policies and procedures. We made several changes and Dave has invited me back to meet with the Grand County Council to discuss the proposed changes.

Road Department Safety Workshops:

CMVO-Coaching the Maintenance Vehicle Operator

The Utah T2 Center has been presenting the CMVO course on our behalf to our county road departments. We worked to schedule as many courses as possible before the



summer season arrived. We were able to hold courses in Grand, Duchesne, Uintah, Davis, Box Elder, Cache, Weber, Carbon, Utah, Wasatch, & Rich Counties. We will schedule the balance of the counties after the busy season ends, probably beginning in September.

#### Supervisor Training

I will be working with the counties and the UACIM Personnel Committee to develop a supervisor training workshop based on some materials presented by Jay Francis Valerga at the 1999 Personnel Workshop. This training will be held at the county level, with the potential of combining some of the smaller counties together for a one day workshop.



## **Utah Association of Counties Insurance Mutual**

### **Endorsements**

#### **Endorsement No. 7**

##### Limited Coverage for Year 2000 Computer-Related Problems

This endorsement attaches to and forms part of Section II – General Liability, and Section III – Auto Liability, Policy No. UACIM-99.100.

The effective date of this endorsement is July 1, 1999.

Notwithstanding the provisions of Exclusion Number 6 of this coverage agreement, coverage is extended, up to a limit of \$1 million per occurrence, for claims that would be covered under the coverage agreement, but for Exclusion Number 6.

This Endorsement applies only to the following Member Counties:

All other terms and conditions of the policy remain unchanged.



## Utah Association of Counties Insurance Mutual

### Endorsements

#### Endorsement No. 8

##### Public Officials Errors and Omissions Liability Amendments:

This endorsement amends and forms part of Section II, Part B-PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY.

The first paragraph of Section II, Part B.1. is amended to read as follows:

The **Mutual** agrees, subject to the limitations, terms and conditions of this **Agreement**, to defend any **Suit** and pay on behalf of the **Insured** all **Money Damages** incurred by the **Insured** by reason of any **Wrongful Act** arising out of any **Claim** first made during the period of **this Coverage Agreement** or any applicable extended reporting period.

All other terms and conditions remain unchanged.





# **UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL**

## **YEAR 2000 COMPLIANCE AND CONTINGENCY PLAN**

### **Background**

The purpose of formalizing a Year 2000 Compliance and Contingency Plan is to identify those functions that are critical to the operation, the resources that are used by those functions, and the state of readiness of those resources. This plan identifies any remediation that has been or will be required. Some testing will be required and as a precaution, some defensive actions recommended.

UAC Insurance Mutual is somewhat unique in its' operations in that assets consist almost wholly of cash and investments. All equipment and physical facilities used by the staff are owned by Utah Association of Counties and used in accordance with an administrative contract. Other functions, such as claims administration, accounting and broker services are performed for the Mutual by third parties under contract. Therefore much of this plan will rely on receiving appropriate assurances from other entities.

### **Critical Functions of the Mutual**

#### **I. Administration.**

As stated above, the Mutual contracts with Utah Association of Counties (UAC) for Administrative services. UAC employs the Mutual's staff and provides some equipment that is used exclusively for the Mutual. Included in that equipment are 2 desktop computers, 2 telephone sets, 2 calculators, 1 laptop computer, 1 projector system and 2 automobiles. The Administrative Assistant for the Mutual also works for UAC and for the Multi-County Appraisal Trust. Therefore, an additional computer, adding machine and telephone set are used for all three entities.

Other equipment owned by UAC is also used by the Mutual as well as by UAC staff and others. Included in this group are the phone system, the computer networking system, a fax machine, a printer, a copy machine, a postage meter and the refrigerators and microwave ovens in the lunch and break rooms. Because the Mutual rents office space from UAC the HVAC equipment and utilities are also the responsibility of UAC.

UAC has employed a computer consultant who has already evaluated much of the computer hardware and software. Some problems have been identified and remedied. Other problems have been identified, but not yet updated. Most of the problems identified to date involved software programs.



Year 2000 compliance for Administration depends on written assurances from UAC that each of the items identified above has been properly evaluated and repaired, replaced or updated as necessary.

## II. Claims Administration.

The Mutual contracts with McLarens Toplis, North America, Inc. for claims administration services. McLarens employs 2 people, who are officed in the UAC building. McLarens operates its own telephone and computer systems as well as an electronic claims information system. The company is currently in the process of changing from the "Topcat" system to the "Pyramid" system in order to provide updated service to the Mutual and its' members.

Year 2000 compliance for claims administration depends on obtaining written assurances from McLarens that all equipment used on behalf of the Mutual has been tested and is compliant. These assurances must include all equipment identified above, including the Pyramid system, and also equipment used in networking the different offices of McLarens, specifically Sacramento and Chicago.

The Claims Administrator has confirmed that all McLarens systems either are now, or will soon be compliant.

## III. Cash and Investments.

Approximately 95% of the Mutual's assets are invested with Public Treasurers Investment Fund (PTIF). Funds are transferred as needed to a bank account at First Security Bank on which all the Mutual's checks are drawn. In the event that PTIF is unable to transfer funds as needed, loss and expense payments for which the Mutual is responsible may be delayed.

Likewise, in the event that First Security Bank experiences problems with equipment, the ability of UACIM to make timely payments may be compromised.

The Mutual will request appropriate assurances from both PTIF and First Security Bank that all systems are compliant.

## IV. Accounting.

Accounting services and statutory compilations for the Mutual are provided in accordance with a contract with Larson & Company. Larson has assured the Mutual that all computer systems have been tested and are now or will be compliant. Written assurances will also be sought.



## V. Broker Services.

Gallagher Risk Management Services, Inc. (GRMS) provides broker services for the Mutual. Although the services provided under this agreement may not be as "mission critical" as some other services, GRMS does maintain certain renewal and exposure information critical to the Mutual during each renewal process. The Mutual anticipates that any potential problems with the GRMS information systems should be corrected by the beginning of the renewal process in July of 2000. Written assurances will be requested.

## VI. Excess Carriers and Reinsurers.

In 1999, the Mutual ceded insurance to Signet Star Reinsurance Company and to Reliance Insurance Company. In addition, some claims are still open under previous excess policies with AIG Technical Services and with Great American Insurance Company. Equipment failures with any of those companies could impact loss payments and claims coordination. Written assurance of compliance will be requested of each of these companies.

### **Non-critical functions**

In addition to service providers for critical functions, the Mutual has business relationships with various other vendors, as well as with each of the Member counties. Written assurances of compliance will be sought from each of these vendors and Member counties by written request to be sent by July 15, 1999. A list of all vendors and Member counties is included in this plan as "Appendix A".

### **Other Exposures**

The Mutual anticipates providing some liability coverage as part of the insurance program for members. Such coverage may result in larger than normal losses to the Mutual. Accordingly, the Mutual must remain protected against loss with both specific and stop loss aggregate reinsurance.

### **Contingency Plan**

Due to the size and relative simplicity of the Mutual's operations, contingency plans in the event of non-compliant systems or vendors are not complex. Those plans are identified as follows for the "mission critical" functions identified above.

## I. Administration.

Most of the information used in administrative operations is available in hard copy. Although undoubtedly slower, the Mutual staff could continue operations without the use of the UAC computers. In the event of a mechanical breakdown or failure of utilities, lasting more than 3 days, staff could operate from different locations.



## II. Claims Administration.

While McLarens uses the electronic information system extensively, all claims files are still maintained as hard copy in file cabinets located on site. In addition, hard copies of monthly loss reports since the inception of the Mutual are also stored on site. With the current staff, claims administration should not be substantially impaired.

## III. Cash and Investments

Considering the degree of testing required of both governmental entities and the banking industry, it is doubtful that significant failure will occur. However, hard copies of all investment transactions and balances will be maintained.

## IV. Accounting.

Accounting services are provided for monthly statements, quarterly and annual reports. Hard copies have been and will be maintained of all statements and daily transactions.

## V. Broker Services.

All information related to renewals will be maintain by both the broker and the Mutual. While the broker creates a separate format for use of excess carriers and reinsurers, the format could be duplicated from the information held by the Mutual or the Members. Communications with the brokers is necessary from time to time, but not imperative on a daily basis. Most problems or questions that arise can be handled by Mutual staff.

## VI. Excess Carriers and Reinsurers.

All loss and payment information is available in hard copy so that any electronic records lost or destroyed can be recreated. Important communications regarding claims are also held in physical files.





**APPENDIX A**

**VENDORS AND MEMBERS**



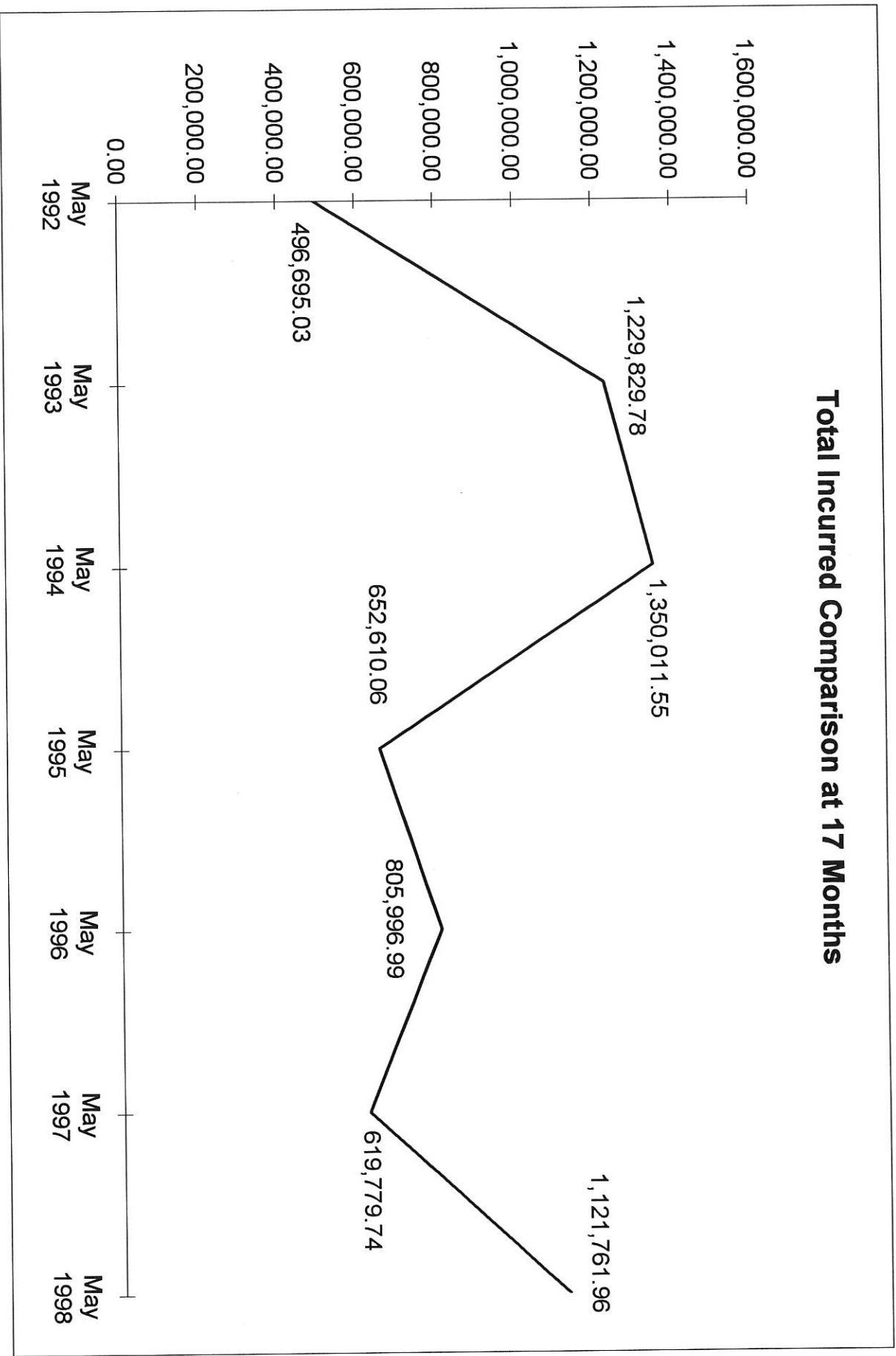
# UAC Insurance Mutual Y2K List

Customer/Vendor	
AIG Technical Services	PIU
AJ Gallagher Risk Management Services	Plant Wallace Christensen & Kanell
Arthur J. Gallagher & Company	Public Treasurers Investment Fund
BEA	QuickBooks
BOX	Redlands Insurance Company
CAC	Reliance Reinsurance Company
CAR	RIC
Christensen & Jensen	SAJ
DAV	SAN
DUC	SEV
EME	Signet Star Reinsurance Company
Federal Express Corp.	Snow Nuffer Engstrom Drake
First Security Bank	State of Utah Insurance Department
GAR	Stirba & Hathaway
GRA	Suitter Axland & Hanson
Hanson Epperson & Wallace	Taylor-Walker & Associates, Inc.
Hartford Insurance Company	UIN
IRO	United Parcel Service
JUA	US West Communications
KAN	UTA
Larson & Company	Utah Association of Counties
McLarens Toplis North America, Inc.	Virtual Business Solutions
Microsoft	WAS
MILL	WAT
NAIC	WAY
Nielsen & Senior	WEB



# UAC Insurance Mutual

## Total Incurred Comparison at 17 Months





# UAC Insurance Mutual

## Total Incurred Comparison at 29 Months

